

COUNTY OF SAN BERNARDINO

CALIFORNIA

SPECIAL DISTRICTS

AUDIT REPORT

AGUA MANSA INDUSTRIAL GROWTH ASSOCIATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Prepared by:

Internal Audits Section

Office of the Auditor/Controller-Recorder

September 29, 2005

County of San Bernardino Special Districts
Agua Mansa Industrial Growth Association

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Auditor/Controller-Recorder
County Clerk

ELIZABETH A. STARBUCK
Assistant Auditor/Controller-Recorder
Assistant County Clerk

Independent Auditor's Report

September 29, 2005

Thomas R. Laurin, Director
Agua Mansa Industrial Growth Association
290 North "D" Street, Sixth Floor
San Bernardino, CA 92415-0400

**SUBJECT: AUDIT OF AGUA MANSA INDUSTRIAL GROWTH ASSOCIATION FOR
THE FISCAL YEAR ENDED JUNE 30, 2005**

Introductory Remarks

In compliance with Section 6505 of the California Government Code, we have completed an audit of Agua Mansa Industrial Growth Association for the fiscal year ended June 30, 2005.

Auditor's Report

We have audited the accompanying financial statements of the business-type activities of the Agua Mansa Industrial Growth Association (AMIGA), as of and for the year ended June 30, 2005, which collectively comprise AMIGA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of AMIGA's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the minimum audit requirements and reporting guidelines for California Special Districts required by the Office of the State Controller. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial

statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of AMIGA, as of June 30, 2005, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and the state regulations governing Special Districts.

AMIGA has not presented the *Management's Discussion and Analysis* that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Larry Walker
Auditor/Controller-Recorder

By:

Howard M. Ochi, CPA
Chief Deputy Auditor

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Grand Jury (2)

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Date Report Distributed: 10-4-2005

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County of San Bernardino
 Agua Mansa Industrial Growth Association
 Statement of Net Assets
 June 30, 2005

	Administration (NSD)	Administration (NSF)	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 176,241	\$ 437,138	\$ 613,379
Receivables:			
Interest	1,126	2,615	3,741
Due from other governments	6,000	-	6,000
Total current assets	183,367	439,753	623,120
 Total assets	 \$ 183,367	 \$ 439,753	 \$ 623,120
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 954	\$ 281	\$ 1,235
Total current liabilities	954	281	1,235
 Total liabilities	 954	 281	 1,235
NET ASSETS			
Unrestricted	171,691	413,060	584,751
Restricted	10,722	26,412	37,134
Total net assets	182,413	439,472	621,885
 Total liabilities and net assets	 \$ 183,367	 \$ 439,753	 \$ 623,120

The notes to the financial statements are an integral part of this statement.

County of San Bernardino
 Agua Mansa Industrial Growth Association
Statement of Revenues, Expenses, and Changes in Fund Net Assets
 For the Year Fiscal Ended June 30, 2005

	Administration (NSD)	Administration (NSF)	Total
OPERATING REVENUES			
Contributions	\$ 30,000	\$ 50,000	\$ 80,000
Other	-	128,504	128,504
Total operating revenues	<u>30,000</u>	<u>178,504</u>	<u>208,504</u>
OPERATING EXPENSES			
Service and supplies	4,098	2,619	6,717
Professional services	15,180	20,969	36,149
Total operating expenses	<u>19,278</u>	<u>23,588</u>	<u>42,866</u>
Operating income	<u>10,722</u>	<u>154,916</u>	<u>165,638</u>
NONOPERATING REVENUES (EXPENSES)			
Interest	3,629	6,938	10,567
Total nonoperating revenues	<u>3,629</u>	<u>6,938</u>	<u>10,567</u>
Change in net assets	14,351	161,854	176,205
Net assets, July 1, 2004	<u>168,062</u>	<u>277,618</u>	<u>445,680</u>
Net assets, June 30, 2005	<u>\$ 182,413</u>	<u>\$ 439,472</u>	<u>\$ 621,885</u>

The notes to the financial statements are an integral part of this statement.

County of San Bernardino
 Agua Mansa Industrial Growth Association
 Statement of Cash Flows
 For the Year Fiscal Ended June 30, 2005

Enterprise Fund - Administration (NSD)

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from member dues	\$ 24,000
Payments to suppliers for goods and services	(18,434)
Net cash provided by operating activities	<u>5,566</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest	<u>3,217</u>
Net cash provided by investing activities	<u>3,217</u>
Net increase in cash and cash equivalents	8,783

Balance-beginning of the year	<u>167,458</u>
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Balance-end of the year	<u>\$ 175,241</u>
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Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$ 10,722
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Due from other governments	(6,000)
Accounts payable	<u>844</u>
Net cash provided by operating activities	<u>\$ 5,566</u>

The notes to the financial statements are an integral part of this statement.

County of San Bernardino
 Agua Mansa Industrial Growth Association
 Statement of Cash Flows
 For the Year Fiscal Ended June 30, 2005

Enterprise Fund - Community Facilities District (NSF)

CASH FLOWS FROM OPERATING ACTIVITIES

Receipt from special assessments	\$ 50,000
Other Receipts	128,504
Payments to suppliers for goods and services	<u>(41,616)</u>
Net cash used by operating activities	<u>136,888</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest	<u>5,588</u>
Net cash provided by investing activities	<u>5,588</u>
Net increase in cash and cash equivalents	142,476
Balance-beginning of the year	<u>294,662</u>
Balance-end of the year	<u><u>\$ 437,138</u></u>

Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$ 154,916
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Accounts payable	<u>(18,028)</u>
Net cash provided by operating activities	<u><u>\$ 136,888</u></u>

The notes to the financial statements are an integral part of this statement.

County of San Bernardino
Agua Mansa Industrial Growth Association
Statement of Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2005

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 20,944
Interest receivable	<u>537</u>
Total current assets	<u><u>\$ 21,481</u></u>
 LIABILITIES	
Due to bondholders	<u>\$ 21,481</u>
Total liabilities	<u><u>\$ 21,481</u></u>

The notes to the financial statements are an integral part of this statement.

County of San Bernardino
Agua Mansa Industrial Growth Association
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Agua Mansa Industrial Growth Association (AMIGA) was established under a Joint Powers Agreement by the County of San Bernardino, the County of Riverside, the City of Colton, the City of Rialto, and the City of Riverside (Jurisdictions) on May 17, 1985. The Jurisdictions utilize joint powers to manage, coordinate, market, and administer economic development programs and projects in the AMIGA enterprise zone area. The enterprise zone comprises specific areas within each of the six jurisdictions.

AMIGA is authorized and empowered to contract with all the other parties for the joint exercise of powers under Article I, Chapter 5, Division 7, Title 1 of the Government Code of the State of California, Sections 6500 et seq. AMIGA is self-governed by an Executive Committee which is comprised of one member of each jurisdiction, who is appointed by the Jurisdiction. San Bernardino County is the administrative agency and Riverside County is the marketing agency for the jurisdictions.

The Jurisdictions utilize joint powers to manage, coordinate, market, and administer economic development programs and projects in the AMIGA enterprise zone area. The enterprise zone comprises specific areas within each of the six jurisdictions.

AMIGA is financed by the mandatory and voluntary contributions assessed to each Jurisdiction. The Jurisdictions are assessed a \$6,000 mandatory contribution each fiscal year. Voluntary contributions are paid by the jurisdictions for special projects as set forth in Article X of the joint powers agreement. Additional financing is generated through revenue bonds, for which the jurisdictions shall have no obligation or liability.

Measurement focus, basis of accounting, and financial statement presentation

The propriety fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

County of San Bernardino
Agua Mansa Industrial Growth Association
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of AMIGA's enterprise funds is mandatory and voluntary contributions from the jurisdictions. Operating expenses for enterprise funds include the cost of services and supplies and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

Special assessment receivables due within the current fiscal period are considered to be susceptible to accrual as revenue of the current period.

AMIGA reports the following major funds:

The *NSD fund* accounts for the administration of AMIGA and the *NSF fund* accounts for the administration of the Agua Mansa Community Facilities District.

Agency funds are used to account for assets held by the District as an agent for individuals, private organizations, other governments or other funds or both. The funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations.

The modified accrual basis of accounting is used for the agency fund. The fund is used to account for the accumulation of resources for, and payment of, the bonds issued under the Mello-Roos Community Facilities Act of 1982 to stimulate private investment in business and industrial growth in economically depressed areas within the boundaries of AMIGA's six jurisdictions.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

County of San Bernardino
Agua Mansa Industrial Growth Association
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." All accounts receivable are shown at the gross amount as AMIGA anticipates collection in full.

Stewardship, compliance and accountability

Budgetary information:

In accordance with provisions of Article IX of the Agua Mansa Industrial Growth Association Joint Powers Agreement, AMIGA prepares and adopts an annual budget before the start of each fiscal year.

NOTE 2: CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes the cash balance of monies deposited with the County Treasurer which are pooled and invested for the purpose of increasing earnings through investment activities. Interest earned on pooled investments is deposited to AMIGA's account based upon AMIGA's average daily deposit balance during the allocation period. Cash and Cash Equivalents are shown at fair value as of June 30, 2005.

**County of San Bernardino
Agua Mansa Industrial Growth Association
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2005**

NOTE 3: SPECIAL ASSESSMENT ACCOUNTING – 1982 ACT BONDS

In July 2003, bonds were issued on behalf of the Agua Mansa Community Facilities District 2002-1 (District) under the Mello-Roos Community Facilities Act of 1982 in the amount of \$12,705,000. The bonds are not the liability of the District and are payable from the net proceeds, after payment of certain administrative expenses, from an annual Special Tax that is levied and secured by a continuing lien against all nonexempt property located within the District. As such, the bonds do not appear in the accompanying general purpose financial statements. In the event that an entity or business within the enterprise zone defaults on their property taxes, American Express will guarantee payment to the District for the taxes. US Bank is the fiscal agent of the bond proceeds.

NOTE 4: DONATED SERVICES

Each Jurisdiction is required to contribute office and personnel services pursuant to Article VIII of the Joint Powers Agreement. The value of these services is not reflected in the financial statements.

NOTE 5 RESTRICTED ASSETS

Certain proceeds of the AMIGA's enterprise funds are classified as restricted assets on the statement of net assets because their use is limited by the AMIGA Joint Powers Agreement. The "Administration (NSD)" account is used to report remittances received from the jurisdictions for the administrative costs of AMIGA. The "Administration (NSF)" account is used to report proceeds of the special tax revenue bond issuances remitted by the fiscal agent for the administration of the bonds.

NOTE 6 CONTRIBUTIONS

On July 1st, each jurisdiction contributes a mandatory contribution of \$6,000. The mandatory contribution shall be used only for those administrative and other matters of general benefit to all jurisdictions.